



Fact Sheet

U.S. Department of Agriculture
Foreign Agricultural Service
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Permanent Normal Trade Relations with China **What's at Stake for Pennsylvania?**

Pennsylvania produces and exports agricultural products. Forest products are also important. The state's farm cash receipts and forest product shipments totaled \$4.2 billion in 1998 and \$2.8 billion in 1996, respectively. As for exports, the value of agricultural products leaving the state was estimated at \$580 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

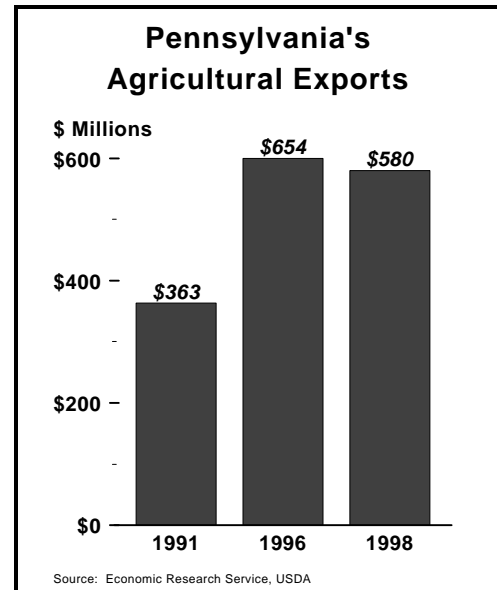
Trade Benefits

The following key products are important to Pennsylvania, and expected to reap some of the largest export gains from China's accession to the World Trade Organization (WTO).

Beef and Pork—As a major supplier of processed meats, Pennsylvania's live animal and red meat exports worldwide were estimated at \$154 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef cuts, and from 45 percent to 25 percent on chilled beef, by 2004. It will also cut its tariffs on frozen pork cuts and beef and pork offal from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef and pork from the United States that is certified wholesome by USDA.

Poultry Meat—Pennsylvania's poultry and product exports were estimated at \$72 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.

Feed Grains—Pennsylvania's feed grain and product exports worldwide were estimated at \$63 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons



and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.

Dairy—Pennsylvania's dairy product exports worldwide were estimated at \$47 million in 1998. China's dairy product consumption is rapidly increasing due to rising incomes and government promotion. China's milk production is also growing, but the domestic dairy sector is not expected to keep up with the growth in demand. Under its WTO accession agreement, China will cut its tariffs on selected dairy products by 2004. Specific reductions include: selected cheeses (from 50 percent to 12 percent); lactose (from 35 percent to 10 percent); and ice cream (from 45 percent to 19 percent). In recent years, the United States has supplied approximately one-fifth of China's dairy imports.